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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte PETER G. JACOVES, WILLIAM Y. HALL,
KARLA J. MAINS, and CHARLES H. NAUL

Appeal 2015-005382¹
Application 12/632,633²
Technology Center 3600

Before HUBERT C. LORIN, TARA L. HUTCHINGS, and
MATTHEW S. MEYERS, *Administrative Patent Judges*.

MEYERS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's final rejection of claims 1, 4, 5, 15, 16, and 19–21. We have jurisdiction under 35 U.S.C. § 6(b). An Oral Hearing was held February 23, 2017.

¹ Our decision references Appellants' Appeal Brief ("Appeal Br.," filed September 11, 2014) and Reply Brief ("Reply Br.," filed April 23, 2015), and the Examiner's Answer ("Ans.," mailed February 26, 2015) and Final Office Action ("Final Act.," mailed March 21, 2014).

² Appellants identify Excentus Corporation as the real parties in interest (Appeal Br. 2).

We AFFIRM-IN-PART and enter a NEW GROUND OF REJECTION pursuant to our authority under 37 C.F.R. § 41.50(b).

CLAIMED INVENTION

Appellants' invention relates to "a point of sale cash registry system program for crediting discounts from grocery purchases towards gasoline purchases" (Spec. ¶ 2).

Claims 1, 5, and 21 are the independent claims on appeal. Claim 1, reproduced below with added bracketed notations, is illustrative of the subject matter on appeal:

1. A computer-implemented method of generating a discount-per-gallon for fuel in exchange for the purchase of one or more discount-triggering items during an initial purchase transaction by a customer, said method comprising:

[a] discriminating, by a point-of-sale system, the discount-triggering items from non-discount-triggering items in a purchase of multiple items during the initial purchase transaction, each of the discount-triggering items having a unique code associated therewith and an associated discount-per-gallon;

[b] grouping, by the point-of-sale system, the discount-triggering items in bundles, each bundle comprised of all of the discount-triggering items having the same unique code such that there is provided a bundle for each of the unique codes present in the initial purchase transaction, and wherein each bundle has an associated total bundle discount-per-gallon, and wherein the step of grouping includes filtering the discount-triggering items such that the number of discount-triggering items in any of the bundles is limited to a maximum number, wherein the step of grouping includes filtering the discount-triggering items such that, in response to the quantity of discount-triggering items purchased being less than a predefined minimum quantity for each of the unique codes, the bundle is not created, and wherein the maximum number for at least one of the bundles is greater

than the predefined minimum quantity for the unique code for which the at least one of the bundles is provided;

[c] summing, by the point-of-sale system, the total bundle discounts-per-gallon for all of the bundles to provide a total discount-per-gallon associated with the initial purchase transaction; and

[d] applying the total discount-per-gallon in a subsequent purchase transaction for fuel by the customer.

(Appeal Br. 11 (Claims App.)).

REJECTIONS

Claims 1, 4, 5, 15, 16, 19, and 20 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.³

Claims 1, 4, 5, and 21 are rejected under 35 U.S.C. § 103(a) as unpatentable over Off (US 5,173,851, iss. Dec. 22, 1992) and McCall (US 6,321,984 B1, iss. Nov. 27, 2001) (*see* Final Act. 2, 6).

Claims 15, 19, and 20 are rejected under 35 U.S.C. § 103(a) as unpatentable over Off, McCall, and Official Notice (*see* Final Act. 4).

Claim 16 is rejected under 35 U.S.C. § 103(a) as unpatentable over Off, McCall, and Walker (US 7,240,021 B1, iss. July 3, 2007) (*see* Final Act. 6).

ANALYSIS

Appellants argue claims 1, 4, 5, 15, 16, 19, and 20 as a group (*see* Reply Br. 3–6). We select independent claim 1 as representative. The remaining claims stand or fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

³ The Examiner entered this rejection as a new ground in the Answer (*see* Ans. 2).

In rejecting the claims under 35 U.S.C. § 101, the Examiner finds the claims “are directed to providing future discounts on specific items in response to a customer’s initial purchase of a discount triggering item, which is considered to be an abstract idea inasmuch as such activity is considered a fundamental economic practice” (Ans. 2). The Examiner further finds

[t]he claims merely amount to the application or instructions to apply the abstract idea (i.e. providing a discount for future purchases) on a computer, and is considered to amount to nothing more than requiring a generic computer system (e.g. a computer system comprising generic elements, such as a memory and a processor, for receiving information regarding a customer purchase, and providing the customer with a discount on a future purchase) to merely carry out the abstract idea itself. (*Id.* at 3).

Appellants do not appear to dispute the Examiner’s finding that independent claim 1 is directed to an abstract idea (*see* Reply Br. 3–6). Instead, Appellants argue

[c]laim 1 recites operations that are carried out “by a point-of-sale system.” Claim 5 recites similar features. As explained below, the claims do not recite an abstract idea because they are tied to a special purpose machine. As further explained below, the claims additionally recite significantly more than the abstract idea itself because the recited operations improve the underlying functionality of the special purpose machine. (Reply Br. 3).

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether independent claim 1 falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first must determine whether the claim is “directed to” a patent-ineligible abstract idea. If so, we then consider the elements of the claim — both individually and as an ordered combination — to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Id.* This is a search for an “‘inventive concept’” — an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.*

Here, we agree with the Examiner that the claims “are directed to providing future discounts on specific items in response to a customer’s initial purchase of a discount triggering item, which is considered to be an abstract idea inasmuch as such activity is considered a fundamental economic practice” (Ans. 2), which, like verifying credit card transactions (*see CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1370 (Fed. Cir. 2011)), collecting and analyzing information to detect and notify of misuses (*see FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016)), guaranteeing transactions (*see buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354 (Fed. Cir. 2014)), budgeting (*see Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1367 (Fed. Cir. 2015)), and intermediated settlement (*see Alice*, 134 S. Ct. at 2356–57), falls squarely within the realm of abstract ideas implemented on computers.

Turning to the second step of the framework, we find unpersuasive Appellants' argument that the claims include "[l]imitations referenced in *Alice Corp.* that may be enough to qualify as 'significantly more'" (Reply Br. 5–6).

Independent claim 1 is directed to "[a] computer-implemented method of generating a discount-per-gallon for fuel in exchange for the purchase of one or more discount-triggering items during an initial purchase transaction by a customer" and includes steps related to "discriminating . . . discount-triggering items from non-discount-triggering items," "grouping . . . the discount-triggering items in bundles" by filtering the discount-triggering items to determine whether a discount will be created based on criteria, "summing . . . the total bundle discounts-per-gallon for all of the bundles to provide a total discount-per-gallon," and "applying the total discount-per-gallon in a subsequent purchase transaction." Here, considering each of the claim elements in turn, we find them all to be directed to well-understood, routine, conventional activities previously known to the industry. And, when viewed as a whole, the computer component (i.e., "point-of-sale system") of Appellants' method adds nothing that is not already present when the steps are considered separately.

Appellants further argue that the claims are not directed to an abstract idea because they are "tied to a special purpose machine" (Reply Br. 3), i.e., "the 'point-of-sale system' is a special purpose machine" (*id.* at 4–5). However, Appellants' Specification discloses that it utilizes "a conventional POS that provides the core operating system for a store and it operates in a conventional manner" (Spec. ¶ 57). We acknowledge that the Specification also discloses that its "fuel rewards program is basically an enhancement to

this POS system and essentially constitutes a separate module” (*id.*), but Appellants do not provide adequate evidence or technical reasoning why discriminating, grouping/filtering, summing, and applying a total discount are not well-understood, routine, and conventional activities of a computer. Thus, we are not persuaded that independent claim 1 is adequately tied to “a particular machine or apparatus.” *Bilski v. Kappos*, 561 U.S. 593, 600 (2010).

Appellants argue that independent claim 1 “improves the underlying functionality of the point-of-sale system because . . . the amount of the discount can be incrementally increased based on the number of items purchased beyond the minimum number, instead of being limited to a flat discount for a particular bundle” (Reply Br. 6). However, we find that the “improvement” to which the Appellants refers is a business improvement rather than an improvement to a technological or technical field. Furthermore, Appellants have not provided evidence that the programming related to their “improvement” would entail anything atypical from conventional programming. And, as the Federal Circuit stated: “after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.” *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014).

In view of the foregoing, we sustain the Examiner’s rejection under 35 U.S.C. § 101 of independent claim 1 and claims 4, 5, 15, 16, 19, and 20, which fall with independent claim 1.

We also enter a new ground of rejection of independent claim 21 because we find we find no meaningful distinction between independent method claim 1 and independent method claim 21 with respect to eligible

subject matter. In this regard, we note that the only difference between independent claims 1 and 21 exists in the manner in which the discount-triggering items are grouped into bundles. Therefore, because we find that independent claim 21 lacks additional elements that would render the claim patent-eligible, we enter a new ground of rejection under § 101 of this claim on the same basis as independent claim 1 discussed above.

Obviousness

Independent claims 1 and 5, and dependent claim 4

We are persuaded by Appellants' argument that the Examiner erred in rejecting independent claims 1 and 5 under 35 U.S.C. § 103(a), because the combination of Off and McCall fails to disclose or suggest limitation [b] of independent claim 1 which recites

grouping, by the point-of-sale system, the discount-triggering items in bundles, each bundle comprised of all of the discount-triggering items having the same unique code such that there is provided a bundle for each of the unique codes present in the initial purchase transaction, and wherein each bundle has an associated total bundle discount-per-gallon, and wherein the step of grouping includes filtering the discount-triggering items such that the number of discount-triggering items in any of the bundles is limited to a maximum number, wherein the step of grouping includes filtering the discount-triggering items such that, in response to the quantity of discount-triggering items purchased being less than a predefined minimum quantity for each of the unique codes, the bundle is not created, and wherein the maximum number for at least one of the bundles is greater than

the predefined minimum quantity for the unique code for which the at least one of the bundles is provided.

(*See* Appeal Br. 6–7; *see also* Reply Br. 7–8). Independent claim 5 includes a substantially similar limitation.

The Examiner maintains that the rejection is proper, and cites Off at column 2, lines 18–37; column 4, line 42 – col. 5, line 25; column 5, lines 47–56; column 12, lines 32–44; Figure 4C; and claim 4, as disclosing the argued subject matter (*see* Final Act. 3; *see also* Ans. 6). However, we agree with Appellants that there is nothing in the cited portions that discloses or suggests the argued subject matter.

In making this determination, we note that Off is directed to “point-of-sale computer systems of the type used in retail stores to record sales transactions[,]” which are capable of handling “[m]ultiple-trigger coupons . . . that require the purchase of more than one triggering item in a single transaction” (Off, col. 1, ll. 19–21, col. 2, ll. 20–22). Off discloses

[w]hen multiple-trigger coupon deals are involved, coupon printing is delayed until the end of the purchase transaction, at which time it is possible to determine whether a required number of multiple triggering products have been purchased. If so, an appropriate coupon is printed, the terms of which may depend on the total number of items purchased, or other selected factors.

(*Id.* at col. 3, ll. 2–9). Off further discloses

[w]hen a product in the customer’s purchase transaction is detected as a triggering item, by detection of the trigger flag **43** in the item record **44** for that product, the system is able to locate a coupon index record corresponding to the triggering product, as indicated by the arrow **45**. The coupon index record **40** contains an item code, i.e. there is a unique coupon index record for every triggering product, and also contains at least one coupon look-up number (CLU). . . . This structure allows a particular triggering product to trigger the printing of one or more

coupons, which may pertain to different groups of products, and allows different triggering products to trigger the printing of a coupon for a single product group.

(*Id.* at col. 4, l. 64 – col. 5, l. 11). Off also discloses “a check is made on the total count of coupons printed for this transaction. If the number exceeds a maximum set for this particular checkout terminal, no further printing of coupons is permitted” (*id.* at col. 12, ll. 32–35), and that its system is able to “update[e] a per-transaction coupon maximum, by checkout lane” (*id.* at col. 14, ll. 59–60).

McCall is directed to a promotional system which “couples a customer reward data processing system with a fuel dispensing apparatus to allow a retailer to authorize discounted fuel or other marketing promotions in accordance with a customer’s achievement of predefined purchasing criteria” (McCall, col. 2, ll. 21–25; *see also id.* at col. 9, ll. 23–29). McCall discloses that its

reward system will track the customer purchases and compare them with a predefined criteria to determine when a fuel discount is to be provided. These predefined criteria may include whether the customer purchased items from a group of designated products (e.g. promotional items) exceeded a quantity threshold, a dollar value threshold, made purchases made on specific dates, or the like.”

(*Id.* at col. 2, ll. 29–36). More particularly, McCall discloses “[w]hen a customer meets one of the predefined criteria, the reward system will authorize a fuel discount or reward and provide the customer with a mechanism to obtain the discounted fuel” (*id.* at col. 2, ll. 36–40) and “[w]hen purchasing fuel, the customer inputs the received authorization code at the pump by scanning in the bar code from the receipt, swiping a magnetic card, entering a code on a key pad, or the like” (*id.* at col. 2, ll. 47–50).

McCall also discloses during the redemption process “[t]he customer collects four more receipts over several visits to the store, each indicating a free \$1 worth of gasoline” (*id.* at col. 7, ll. 1–3) and then “[t]he customer sequentially places the five receipts in front of the scanning bar code reader **120**, and then operates the fuel dispenser **110** to dispense \$5 worth of gas” (*id.* at col. 7, ll. 4–7). McCall also discloses that its fuel discount system “can be designed to offer the highest discount of the two, e.g. \$0.15 per gallon, the lowest discount \$0.10, an average of the two, or add the discounts and offer a \$0.25 per gallon discount to the customer” (*id.* at col. 10, ll. 22–27).

We have reviewed the cited portions of Off in view of McCall and agree with Appellants that none of the cited portions of Off, whether considered alone or in combination with McCall, discloses or suggests the argued limitation. In particular, we fail to see, and the Examiner does not adequately explain how Off’s disclosure regarding a determination as to whether the total count of coupons printed for a particular transaction exceeds a maximum set for a particular checkout terminal (*see* Off, col. 12, ll. 32–37) discloses or suggests “that the number of discount-triggering items in any of the bundles is limited to a maximum number,” as required by independent claims 1 and 5. Instead, we agree with Appellants that

Off’s maximum number of coupons is actually equivalent to a maximum number of bundles, and is not equivalent to “the number of discount-triggering items in any of the bundles is limited to a maximum number . . . wherein the maximum number for at least one of the bundles is greater than the predefined minimum quantity for the unique code for which the at least one of the bundles is provided.”

(Reply Br. 8; *see also* Fig. 4b, items 80–83).

In view of the foregoing, we do not sustain the Examiner's rejection of independent claims 1 and 5 under 35 U.S.C. § 103(a) as unpatentable over Off and McCall. For the same reasons, we also do not sustain the Examiner's rejection of dependent claim 4 which depends from independent claim 1.

Independent claim 21

We are persuaded by Appellants' argument that the Examiner erred in rejecting independent claim 21 under 35 U.S.C. § 103(a) because

nowhere does the Examiner indicate where either Off or McCall discloses "each bundle has an associated total bundle discount-per-gallon calculated as a product of the discount-per-gallon associated with the discount triggering items having the same unique code and a total number of the discount triggering items having the same unique code," as required by claim 21.

(Appeal Br. 9).

The Examiner maintains that the rejection is proper, and cites Off at column 2, lines 18–37; column 4, line 42 through column 5, line 25; column 5, lines 47–56; Figure 4C; and claim 4, as disclosing the argued subject matter (*see* Ans. 6). However, we agree with Appellants that "the Examiner analyzes features that are recited in claim 1, but that are not recited in claim 21" (Appeal Br. 10; *see also* Reply Br. 11–12). Here, as Appellants point out, the Examiner fails to address "each bundle has an associated total bundle discount-per-gallon calculated as a product of the discount-per-gallon associated with the discount triggering items having the same unique code and a total number of the discount triggering items having the same unique code," as recited by independent claim 21. Accordingly, the rejection of independent claim 21 is not sustained. *See In re Warner*, 379 F.2d 1011, 1017 (CCPA 1967) *cert. denied*, 389 U.S. 1057 (1968) ("A rejection based

on section 103 clearly must rest on a factual basis, and these facts must be interpreted without hindsight reconstruction of the invention from the prior art. . . . [The Board] may not . . . resort to speculation, unfounded assumptions or hindsight reconstruction to supply deficiencies in its factual basis.”).

Dependent claims 15, 16, 19, and 20

Claims 15, 16, 19, and 20 depend, directly or indirectly, from independent claim 1, and thus, incorporate limitation [b] recited in independent claim 1. The Examiner’s rejections of claims 15, 19, and 20 with respect to Official Notice, as applied to Off and McCall and claim 16 with respect to Walker, as applied to Off and McCall, do not cure the above-discussed shortcomings of Off and McCall identified by Appellants. Thus, we do not sustain the Examiner’s rejections of dependent claims 15, 16, 19, and 20 under 35 U.S.C. § 103(a) for the same reasons set forth above with respect to independent claim 1.

DECISION

The Examiner’s rejections of claims 1, 4, 5, 15, 16, and 19–21 under 35 U.S.C. § 103(a) are reversed.

The Examiner’s rejection of claims 1, 4, 5, 15, 16, 19, and 20 under 35 U.S.C. § 101 is affirmed. We also enter a NEW GROUND of rejection of independent claim 21 under 35 U.S.C. § 101 as reciting ineligible subject matter.

This decision contains new grounds of rejection pursuant to 37 C.F.R. § 41.50(b) (2008). 37 C.F.R. § 41.50(b) provides “[a] new ground of

rejection pursuant to this paragraph shall not be considered final for judicial review.”

37 C.F.R. § 41.50(b) also provides that the appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

(1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner

(2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED-IN-PART; 37 C.F.R. § 41.50(b)